

## GLOSSARY OF TERMS

**Accrual or Accrual Basis:** The accrual accounting method reports revenues in the period in which they are earned, and expenses are reported in the period in which they are incurred. Within the accounting cycle (month or year), transactions are recorded as they occur through cash receipts, cash disbursements, or payroll entries. At the end of the cycle, the ledger accounts are brought up to date, so that revenues and expenses are properly matched and the financial reports fairly present the results of operations and financial condition at the end of the cycle.

**Accrued Expenses:** Expenses for the current period which have been incurred but are unpaid.

**Capitalization of Assets:** Recognition of the cost or appraised value of certain assets (such as real estate, buildings, historical treasures and art collections) as assets on the balance sheet.

**Cash Basis:** When cash basis accounting is used, revenues are reported in the period in which cash is received, and expenses are reported in the period in which cash is paid. For example, tuition would be recorded only when cash is received not necessarily in the period in which it is earned by the act of teaching during the semester. Salaries would be recorded only when cash is paid to employees and not necessarily when they had earned the salary during the period of teaching.

**Custodian Funds:** Funds received and held by an organization as fiscal agent for others.

**Deferred Revenue and Support:** A liability account to record revenue or support received before it is earned.

**Double Entry Bookkeeping:** Every financial transaction involves changes (entries) in at least two accounts and requires at least two entries into the records -- a debit and a credit entry. Regardless of the complexity of a transaction or the number of accounts affected, the sum of the debits must always equal the sum of the credits. The equality of debits and credits for each transaction is inherent in the equation  $\text{Assets} = \text{Liabilities} + \text{Fund Balances}$ .

**Endowment Fund:** A fund in which a donor has stipulated in the donatives' instrument that the principal is to be maintained inviolate and in perpetuity and only the income from the investments of the fund may be expended for a specific project or purpose.

**Fund:** An accounting entity established for the purpose of accounting for resources used for specific activities or objectives in accordance with special regulations, restrictions, or limitations.

**Fund Accounting:** Maintenance of accounting records of income, expenses, assets and liabilities by fund.

**Journal Entry:** Methodology for the posting of non-cash transactions or for correcting erroneous postings of cash transactions. The journal entry should list the account numbers and names, and the amounts to be debited and credited, followed by an explanation of the purpose of the journal entry. The amounts of debits and credits must equal. The amounts are subsequently posted to the appropriate accounts.

**Modified Accrual or Modified Accrual Basis:** A system of accounting or bookkeeping often used by service companies or service organizations where a total accrual basis of accounting would not result in a significant enough difference in financial statement presentation to warrant the extra time and work necessary for that system of accounting. This modified system allows for cash basis bookkeeping during the year but provides for year-end adjustment to accrual basis in a few significant areas.

**Payables:** Amounts due for the current fiscal year but unpaid at year-end.

**Petty Cash:** A small cash fund for the payment of incidental expenses; maintained on an imprest, or fixed balance basis, and replenished when depleted.

**Receivables:** Amounts earned as applicable to the current period which have not yet been received but are reasonably certain of collection.

**Resources:** Frequently used in connection with money availability (financial resources) but should also consider personnel and physical (buildings, equipment, etc.) resources.

**Restricted Funds:** Funds restricted to a specific purpose by either (a) donor's instructions or Will, or (b) parish and school organizations. In the case of a donor's Will, these restrictions are legally binding.

**Transfer:** Moving fund balances from one fund to another, either for moving assets between funds or closing restricted income into a restricted fund balance at the end of an accounting cycle.

**General Ledger:** A listing of transactions for all accounts, with supporting detail indicating how the ending balance or monthly total was calculated.

**Uniform Accounting and Financial Reporting:** In order to have consistency in accounting and financial statement presentation from year to year and from like entity to like entity (parish and school to parish and school) it is necessary to have guidelines, definitions, and rules. The guidelines, definitions and rules set forth in this manual are generally those as set forth by the American Institute of Certified Public Accountants (AICPA), with minor modifications for ease of use.

**Unrestricted Fund:** General parish and school funds that have no external restriction on their use or purpose; that is, funds that can be used for any purpose designated by the governance system as distinguished from funds restricted externally for specific purposes (for example, by an endowment or funds for the use of a particular parish and school organization).